



**Scott-Moncrieff**  
business advisers and accountants

**FYNE HOMES LIMITED**  
**GROUP ACCOUNTS**  
**REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 March 2015**

**FYNE HOMES LIMITED**

**Report and Consolidated Financial Statements  
For the year ended 31 March 2015**

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**Registration information**

Financial Conduct Authority

Co-operative and Community Benefit Societies  
Act 2014  
Registered number 1454 R (S)

The Housing Regulator

Housing (Scotland) Act 2010  
Registered number 321

Recognised Scottish Charity

SC009152

**Members, Executives and Advisers**

**Management Committee**

T McKay, Chairperson  
P Wallace, Vice Chairperson  
R R Reid, Secretary (resigned 10.09.14)  
I Dunn (appointed Secretary 1.10.14)  
H Kirk  
P Lingard  
J McMillan  
A. C. Harrison  
M Lang  
D Anderson  
L Scoullar  
S MacLeod  
A. G. T. Mack

**Executive Officers**

C Renfrew, Chief Executive  
J McAlister, Technical Services Director

**Bankers**

Bank of Scotland  
36/42 Montague Street  
Rothesay  
PA20 0BT

**Registered Office**

81 Victoria Street  
Rothesay  
Isle of Bute  
PA20 0AP

**Auditor**

Scott-Moncrieff  
Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL

**Solicitors**

T C Young  
Solicitors  
7 West George Street  
Glasgow  
G2 1BA

**Report of the Management Committee  
For the year ended 31 March 2015**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2015.

**Principal activities**

The principal activities of the Group are:

- Fyne Homes Limited's principal activity is the provision of rented accommodation;
- Fyne Initiatives Limited's principal activity is property development and the rental of commercial property; and
- Fyne Futures' principal activities and core business focus on environmental sustainability, namely recycling, reuse, Local Produce and Car Club activities which provide employment and training opportunities. The charity also delivers a Carbon Reduction programme and performs wider role activities providing support to a range of community regeneration projects across the operational area.

**Review of business and future developments***Fyne Homes Limited*

A scheme of 6 rented units at Ardfern was completed in April 2015. A further 2 schemes are on site, which will provide 17 rented units at St Cuthbert's Dunoon, due for completion in 2016/17 and 8 rented units at Kilmun, Cowal, due for completion in 2015/16. The Association made satisfactory progress on its planned and cyclical programme of repairs and renewals to its existing stock, and also the improvement programme to properties in Campbeltown which were acquired by Stock Transfer in 1999.

*Fyne Initiatives Limited*

The company has continued to provide design and build services to the Association as well as construct and sell shared equity housing units on behalf of the Scottish Government. The company's commercial property continues to generate healthy rental streams.

*Fyne Futures*

The main achievements in the year included continuation of our community regeneration activities to support the successful delivery of a range of projects, sustaining an income stream for Recycling Services from Argyll and Bute Council, Bute Produce, Recycling and Reuse activities and continued funding to deliver Towards Zero Carbon Bute Activity.

The Management Committee is satisfied with the progress of the Group over the past year and looks forward to the completion of future planned developments.

**Changes in fixed assets**

Details of fixed assets are set out in Notes 9 and 11.

**The Management Committee and executive officers**

The Management Committee and executive officers of the Association are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the committee.

**Related party transactions**

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

**Auditor**

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

**Report of the Management Committee  
For the year ended 31 March 2015**

**Internal financial controls**

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association and Group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Association and Group or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's and Group's assets.
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate.
- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees and subsidiaries' boards which are comprised of Management Committee members.
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditors with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Audit Committee.
- (f) The Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed.
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external auditor and the internal auditor.

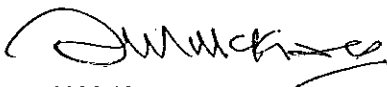
The Management Committee have reviewed the effectiveness of the system of internal control in existence in the Association and the Group for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Disclosure of information to the auditor**

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as each Management Committee member is aware, there is no relevant information of which the Association's auditor is unaware, and
- He/she has taken all the steps that he/she ought to have taken as a Committee Member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

**By order of the committee**



T McKay  
Chairperson

Dated: 9 September 2015

**Statement of Management Committee's Responsibilities**

Housing Association legislation requires the Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and Group and of the income and expenditure of the Association and Group for the year ended on that date. In preparing those financial statements the Committee are required to:-

- \* Select suitable accounting policies and then apply them consistently;
- \* Make judgements and estimates that are reasonable and prudent;
- \* State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- \* Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Committee is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association and of the Group.

The Committee is also responsible for safeguarding the assets of the Association and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the Independent Auditor to the members of Fyne Homes Limited**

We have audited the financial statements of Fyne Homes Limited for the year ended 31 March 2015 which comprise the Group and Association's Income and Expenditure account, the Group and Association's Statement of Total Recognised Gains and Losses, the Group and Association's Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Management Committee and the auditor**

As explained more fully in the Statement of Management Committee Responsibilities set out on page 4, the Committee is responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices' Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion**

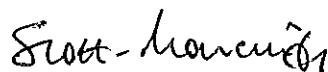
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2015 and of the Group's and Association's income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



Scott-Moncrieff  
Chartered Accountants  
Statutory Auditor  
25 Bothwell Street  
Glasgow  
G2 6NL

Dated: 9 September 2015

**Report of the Auditor to the Management Committee of Fyne Homes Limited on Corporate Governance Matters**

In addition to our audit of the Financial Statements, we have reviewed your statements on page 3 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 3 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Scott-Moncrieff  
Chartered Accountants  
Statutory Auditor  
25 Bothwell Street  
Glasgow  
G2 6NL

Dated: 9 September 2015



**Group Income and Expenditure Account  
For the year ended 31 March 2015**

	Notes	2015 £	2014 £
Turnover	2	6,765,060	6,591,398
Less: Operating costs	2	<u>(5,050,599)</u>	<u>(4,951,646)</u>
Operating surplus	2	1,714,461	1,639,752
Net (loss)/gain on disposal of fixed assets		(46,941)	63,816
Interest receivable and other income	5	7,193	1,991
Interest payable and similar charges	6	(612,182)	(681,108)
Taxation	20	<u>(359)</u>	<u>-</u>
Surplus for the year		<u>1,062,172</u>	<u>1,024,451</u>

The results for the year relate wholly to continuing activities.

There is no material difference between the surplus for the year stated above and the historical cost equivalent.

**Association's Income and Expenditure Account  
For the year ended 31 March 2015**

	Notes	2015 £	2014 £
Turnover	2	6,095,815	5,884,675
Less: Operating costs	2	(4,582,198)	(4,302,221)
<b>Operating surplus</b>	2	<u>1,513,617</u>	<u>1,582,454</u>
Net (loss)/gain on disposal of fixed assets		(49,541)	63,816
Interest receivable and other income	5	27,503	37,118
Interest payable and similar charges	6	(589,788)	(648,883)
Gift aid donation		13,451	6,778
<b>Surplus for the year</b>		<u><u>915,242</u></u>	<u><u>1,041,283</u></u>

The results for the year relate wholly to continuing activities.

There is no material difference between the surplus for the year stated above and the historical cost equivalent.

**Group Statement of Total Recognised Gains and Losses  
For the year ended 31 March 2015**

	<b>Note</b>	<b>2015 £</b>	<b>2014 £</b>
Surplus for the year		1,062,172	1,024,451
Actuarial gain/(loss) recognised in the retirement benefit pension scheme	22	<u>19,000</u>	<u>(60,000)</u>
Total recognised gains and losses relating to the year		<u><u>1,081,172</u></u>	<u><u>964,451</u></u>

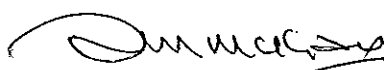
**Association's Statement of Total Recognised Gains and Losses  
For the year ended 31 March 2015**

	Note	2015 £	2014 £
Surplus for the year		915,242	1,041,283
Actuarial gain/(loss) recognised in the retirement benefit pension scheme	22	19,000	(60,000)
Total recognised gains and losses relating to the year		<u>934,242</u>	<u>981,283</u>

Group Balance Sheet  
As at 31 March 2015

	Notes	2015 £	2014 £
<b>Tangible fixed assets</b>			
Housing properties – cost less depreciation	9	106,062,675	105,887,854
Less SHG and other grants	9	(79,535,774)	(80,023,227)
	9	26,526,901	25,864,627
Fixed asset investments	10	-	-
Other fixed assets	11	1,840,939	1,842,033
		<u>28,367,840</u>	<u>27,706,660</u>
<b>Current assets</b>			
Stock	10	1,052,262	1,121,068
Debtors	13	955,372	1,405,011
Cash at bank and in hand		1,468,494	1,701,770
		<u>3,476,128</u>	<u>4,227,849</u>
<b>Creditors: amounts falling due within one year</b>	14	(2,651,588)	(4,007,273)
<b>Net current assets</b>		<u>824,540</u>	<u>220,576</u>
<b>Total assets less current liabilities</b>		<u>29,192,380</u>	<u>27,927,236</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(19,576,866)	(19,325,881)
Retirement benefit pension scheme deficit	22	(695,000)	(762,000)
<b>Net assets</b>		<u>8,920,514</u>	<u>7,839,355</u>
<b>Capital and reserves</b>			
Share capital	16	140	153
Designated reserves	7	-	64,600
Revenue reserve	8a	9,480,140	8,401,368
Pension reserve	8a	(695,000)	(762,000)
Revaluation reserve	8b	135,234	135,234
		<u>8,920,514</u>	<u>7,839,355</u>

The financial statements were authorised for issue by the Management Committee 9 September 2015 and were signed on its behalf by:



Chairperson – T McKay



Vice Chairperson – P Wallace



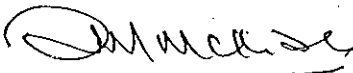
Committee member – P Lingard


The notes form part of these financial statements.

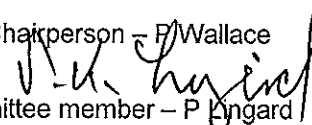
Association's Balance Sheet  
As at 31 March 2015

	Notes	2015 £	2014 £
<b>Tangible fixed assets</b>			
Housing properties – cost less depreciation	9	106,062,675	105,887,854
Less SHG and other grants	9	(79,535,774)	(80,023,227)
		<u>26,526,901</u>	<u>25,864,627</u>
Other fixed assets	11	423,878	444,237
		<u>26,950,779</u>	<u>26,308,864</u>
Investments	12	1	1
		<u>26,950,780</u>	<u>26,308,865</u>
<b>Current assets</b>			
Debtors due in more than 1 year	13	308,557	336,722
Debtors due within 1 year	13	1,150,288	969,345
Cash at bank and in hand		1,188,838	1,581,537
		<u>2,647,683</u>	<u>2,887,604</u>
Creditors: amounts falling due within one year	14	(2,589,000)	(2,194,257)
		<u>58,683</u>	<u>693,347</u>
<b>Net current assets</b>			
		<u>27,009,463</u>	<u>27,002,212</u>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	15	(17,732,949)	(18,592,927)
Retirement benefit pension scheme deficit	22	(695,000)	(762,000)
		<u>8,581,514</u>	<u>7,647,285</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	16	140	153
Designated reserves	7	-	64,600
Revenue reserve	8a	9,276,374	8,344,532
Pension reserve	8a	(695,000)	(762,000)
		<u>8,581,514</u>	<u>7,647,285</u>

The financial statements were authorised for issue by the Management Committee on 9 September 2015 and were signed on its behalf by:

  
Chairperson – T McKay

  
Vice Chairperson – P Wallace

  
Committee member – P Engard

The notes form part of these financial statements.

**Group Cash Flow Statement  
For the year ended 31 March 2015**

	Notes	2015 £	2014 £
Net cash inflow from Operating activities	1	3,305,001	2,649,640
Taxation		(359)	(3,871)
Returns on investments and servicing of finance	2	(604,989)	(679,117)
Investing activities	2	<u>(1,558,562)</u>	<u>(1,594,976)</u>
Net cash outflow from Operating activities		1,141,091	371,676
Financing	2	<u>(1,374,367)</u>	<u>112,985</u>
(Decrease)/increase in cash	4	<u><u>(233,276)</u></u>	<u><u>484,661</u></u>

Notes to the Group Cash Flow Statement  
For the year ended 31 March 2015

1) Reconciliation of surplus for year to net cash inflow from operating activities

	2015	2014
	£	£
Operating surplus	1,714,461	1,639,752
Depreciation	850,441	804,407
Decrease in stock	68,806	1,076,076
Decrease/(increase) in debtors	449,639	(814,885)
Increase/(decrease) in creditors	269,654	(29,710)
Non cash movement relating to pension liability	(48,000)	(26,000)
	<u>3,305,001</u>	<u>2,649,640</u>

2) Gross cash flows

	2015	2014
	£	£
<b>Returns on investments and servicing of Finance</b>		
Interest received	7,193	1,991
Interest paid	(612,182)	(681,108)
	<u>(604,989)</u>	<u>(679,117)</u>
<b>Investing activities</b>		
Purchase and development of housing properties	(2,448,260)	(1,941,504)
SHG received	981,264	306,501
Payments for other tangible fixed assets	(130,602)	(61,713)
Sale of housing properties	45,000	195,250
SHG to be repaid in respect of disposals	(79,034)	(94,960)
Sale of other fixed assets	73,070	1,450
	<u>(1,558,562)</u>	<u>(1,594,976)</u>
<b>Financing</b>		
Net forfeiture of ordinary share capital	(13)	(3)
Loan finance received	-	927,478
Loans repaid	(1,392,427)	(855,231)
Increase in deferred grant creditor	18,073	40,741
	<u>(1,374,367)</u>	<u>112,985</u>



Notes to the Group Cash Flow Statement  
For the year ended 31 March 2015

3) Analysis of Changes in Net Debt	At 1 April 2014 £	Cash Flow £	Other Changes £	At 31 March 2015 £
Cash in hand, at bank	1,701,770	(233,276)	-	1,468,494
Debt due within 1 year	(2,454,531)	332	1,625,007	(829,192)
Debt due after 1 year	(19,325,881)	1,374,022	(1,625,007)	(19,576,866)
	<u>(20,078,642)</u>	<u>1,141,078</u>	<u>-</u>	<u>(18,937,564)</u>

4) Reconciliation of Net Cash Flow to Movement in Net Debt (Note 3)

	2015 £	2014 £
(Decrease)/increase for the year	(233,276)	484,661
Loans received	-	(927,478)
Loans repaid	1,392,427	855,231
Increase in deferred grant creditor	(18,073)	(40,741)
Change in net debt	<u>1,141,078</u>	<u>371,673</u>
<b>Net debt at 1 April 2014</b>	<u>(20,078,642)</u>	<u>(20,450,315)</u>
<b>Net debt at 31 March 2015</b>	<u>(18,937,564)</u>	<u>(20,078,642)</u>

Notes to the Financial Statements  
For the year ended 31 March 2015

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Group are set out in paragraphs (c) to (k) below.

These financial statements are prepared in accordance with applicable accounting standards and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by registered social housing providers issued in 2010.

The consolidated financial statements include the results of Fyne Homes Limited and its subsidiaries, Fyne Futures and Fyne Initiatives Limited, for the year ended 31 March 2015. William Woodhouse Strain Trust is an associate of Fyne Homes Limited due to the level of control; the results have not been consolidated as part of these consolidated accounts due to their immaterial nature.

(b) Going concern

The Management Committee anticipate that a surplus will be generated in the years to 31 March 2016 and 2017. The Group and Association have a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

**Association**

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

**Fyne Initiatives Limited**

Turnover represents value of the goods and services supplied by the company during the year, excluding value added tax.

**Fyne Futures**

All incoming resources are included in the income and expenditure account when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income.

- Voluntary income is received by way of grants, donations and gifts and is included in full in the Income and Expenditure Account when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant.
- Donated services and facilities are included at the value to the charity where this can be quantified. The value of services provided by volunteers has not been included in these accounts.
- Investment income is included when receivable.
- Recycling income is recognised as the service is performed.
- Bute Produce income is recognised when goods are sold.

Notes to the Financial Statements  
For the year ended 31 March 2015

1. Accounting policies (continued)

(d) Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Security can only be provided in respect of these loans once approval by The Scottish Government has been obtained.

(e) Social Housing Grant (SHG)

Social Housing Grant, at amounts approved by The Scottish Government, is paid directly to the Association during the development process.

SHG is repayable under certain circumstances primarily following sale of property, but will normally be restricted to net proceeds of sale.

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

(f) Fixed assets - Housing properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value are included in the financial statements for the year, provided that the dates of issue or valuation are prior to the year-end.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

**Notes to the Financial Statements  
For the year ended 31 March 2015**

**1. Accounting policies (continued)**

**(g) Depreciation**

**(i) Housing properties**

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:

Land - not depreciated  
Structure – over 50 years  
Roofs – over 40 years  
Windows – over 25 years  
Bathrooms – over 25 years  
Kitchen – over 20 years  
Central Heating – over 20 years  
Rewiring – over 20 years  
Lifts – over 20 years

**(ii) Other fixed assets**

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Heritable Property	-	4% per annum on cost
Commercial Property	-	4% per annum on cost
Office Equipment	-	10% per annum, reducing balance
Computer and Other Equipment	-	33.33% per annum on cost
Motor Vehicles	-	25% per annum, reducing balance
Fixtures & Fittings	-	10% per annum on cost
Plant & Machinery	-	10% per annum on cost

A full year's depreciation is charged in the year of purchase.  
No charge is made in the year of disposal.

**(h) Designated Reserves (Note 7)**

**Cyclical maintenance**

The reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred. This reserve has been fully released in the year.

**(i) Operating leases**

Rentals under operating leases are recognised in the Income and Expenditure Account.

**Notes to the Financial Statements  
For the year ended 31 March 2015**

**1. Accounting policies (continued)**

**(j) Apportionment of management expenses**

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Income and Expenditure Account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

**(k) Pensions (note 22)**

The Association contributes to two defined benefit schemes, namely the Scottish Housing Association Pension Scheme (SHAPS) and the Strathclyde Pension Fund. The cost of these is written off to the Income and Expenditure Account on an accruals basis. The assets of the schemes are held separately from those of the Association in an independently administered fund.

Both of these schemes are multi employer schemes. It is possible to identify the assets relating to Fyne Homes in relation to the Strathclyde Pension Fund and as such the following treatment has been adopted for this scheme: -

- In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised in the Income and Expenditure Account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.
- The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, are recognised in the Statement of Total Recognised Gains and Losses.

With regard to the Scottish Housing Association Pension Scheme, the assets of the scheme relating to a specific employer cannot be separately identified and as such only contributions paid in respect of employees is charged to the Income and Expenditure Account.

Notes to the Financial Statements  
For the year ended 31 March 2015

2. Particulars of Turnover, Operating Costs and Operating Surplus

Group	2015			2014		
	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £	Turnover £	Operating Costs £	Operating Surplus £
<b>Income and Expenditure From lettings</b>						
Social Lettings	5,821,897	(4,324,280)	1,497,617	5,587,887	(4,014,655)	1,573,232
Other activities	271,418	(269,418)	2,000	293,788	(294,978)	(1,190)
Fyne Initiatives Limited	258,942	(90,947)	167,995	279,145	(199,825)	79,320
Fyne Futures	412,803	(365,954)	46,849	430,578	(442,188)	(11,610)
	<u>6,765,060</u>	<u>(5,050,599)</u>	<u>1,714,461</u>	<u>6,591,398</u>	<u>(4,951,646)</u>	<u>1,639,752</u>
<b>Association</b>						
<b>Income and Expenditure From lettings</b>						
Social Lettings (Note 3)	5,821,897	(4,308,280)	1,513,617	5,587,887	(3,998,655)	1,589,232
Other activities (Note 4)	273,918	(273,918)	-	296,788	(303,566)	(6,778)
	<u>6,095,815</u>	<u>(4,582,198)</u>	<u>1,513,617</u>	<u>5,884,675</u>	<u>(4,302,221)</u>	<u>1,582,454</u>

## FYNE HOMES LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2015

## 3. Particulars of turnover, operating costs and operating surplus from social letting activities

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2015 Total £	2014 Total £
<b>Income from rent and service charges</b>					
Rent receivable net of service charges	5,658,636	100,569	103,808	5,863,013	5,587,885
Service charges	120,572	4,694	-	125,266	124,838
<b>Gross income from rents and service charges</b>	<b>5,779,208</b>	<b>105,263</b>	<b>103,808</b>	<b>5,988,279</b>	<b>5,712,723</b>
<b>Less voids</b>	<b>(166,382)</b>	<b>-</b>	<b>-</b>	<b>(166,382)</b>	<b>(124,836)</b>
<b>Net income from rents and service charges</b>	<b>5,612,826</b>	<b>105,263</b>	<b>103,808</b>	<b>5,821,897</b>	<b>5,587,887</b>
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
<b>Total turnover from social letting activities</b>	<b>5,612,826</b>	<b>105,263</b>	<b>103,808</b>	<b>5,821,897</b>	<b>5,587,887</b>
<b>Expenditure</b>					
Management and maintenance administration costs	(1,801,570)	(94,689)	(88,542)	(1,984,801)	(1,851,489)
Service charges	(162,519)	(4,694)	-	(167,213)	(169,434)
Planned cyclical maintenance including major repairs	(505,905)	-	-	(505,905)	(544,204)
Reactive maintenance costs	(824,559)	-	-	(824,559)	(656,930)
Bad debts – rents and service charges	(36,587)	-	-	(36,587)	(35,598)
Depreciation of social housing	(768,069)	(5,880)	(15,266)	(789,215)	(741,000)
Impairment of social housing	-	-	-	-	-
<b>Operating costs for social letting activities</b>	<b>(4,099,209)</b>	<b>(105,263)</b>	<b>(103,808)</b>	<b>(4,308,280)</b>	<b>(3,998,655)</b>
<b>Operating Surplus on letting activities, 2015</b>	<b>1,513,617</b>	<b>-</b>	<b>-</b>	<b>1,513,617</b>	<b>-</b>
<b>Operating Surplus on letting activities, 2014</b>	<b>1,589,232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,589,232</b>

Notes to the Financial Statements for the year ended 31 March 2015

4. Particulars of turnover, operating costs and operating surplus from other activities

Association	Grants from Scottish Ministers 2015 £	Other revenue grants 2015 £	Supporting people income 2015 £	Other income 2015 £	Total Turnover 2015 £	Total Turnover 2014 £	Other Operating costs 2015 £	Other operating costs 2014 £	Operating surplus or (deficit) 2015 £	Operating surplus or (deficit) 2014 £
Stage 3 adaptations	87,131	-	-	-	87,131	122,351	(87,131)	(122,351)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	40,661	40,661	38,354	(40,661)	(38,354)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	25,165	25,165	22,823	(25,165)	(22,823)	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Other activities	120,961	-	-	-	120,961	113,260	(120,961)	(120,038)	-	(6,778)
Total from other activities, 2015	<u>208,092</u>	<u>-</u>	<u>-</u>	<u>65,826</u>	<u>273,918</u>	<u>296,788</u>	<u>(273,918)</u>	<u>(303,566)</u>	<u>-</u>	<u>(6,778)</u>
Total from other activities, 2014	<u>194,949</u>	<u>40,662</u>	<u>-</u>	<u>61,177</u>	<u>296,788</u>	<u>296,788</u>	<u>(303,566)</u>	<u>(303,566)</u>	<u>-</u>	<u>(6,778)</u>



Notes to the Financial Statements  
For the year ended 31 March 2015

5. Interest receivable and other income	Group		Association	
	2015 £	2014 £	2015 £	2014 £
Interest receivable on deposits	7,193	1,991	7,193	1,991
Interest receivable on loan to subsidiary	-	-	20,310	35,127
	<u>7,193</u>	<u>1,991</u>	<u>27,503</u>	<u>37,118</u>
6. Interest payable and similar charges	Group		Association	
	2015 £	2014 £	2015 £	2014 £
On private loans	612,182	681,108	589,788	648,883
	<u>612,182</u>	<u>681,108</u>	<u>589,788</u>	<u>648,883</u>
7. Designated Reserves – Group & Association	Opening Balance	Transfer to revenue reserves	Transfer from revenue reserves	Closing Balance
	£	£	£	£
Cyclical maintenance	64,600	(64,600)	-	-
	<u>64,600</u>	<u>(64,600)</u>	<u>-</u>	<u>-</u>
8a. Revenue Reserves	Group		Association	
	2015 £	2014 £	2015 £	2014 £
At start of the year	7,639,368	6,674,917	7,582,532	6,601,249
Statement of Total Recognised Gains and Losses	1,081,172	964,451	934,242	981,283
Transfer from designated reserve	64,600	-	64,600	-
Release from revaluation reserve	-	-	-	-
As at 31 March 2015	<u>8,785,140</u>	<u>7,639,368</u>	<u>8,581,374</u>	<u>7,582,532</u>
<b>Split as follows:</b>				
Revenue reserve	9,480,140	8,401,368	9,276,374	8,344,532
Pension reserve	(695,000)	(762,000)	(695,000)	(762,000)
	<u>8,785,140</u>	<u>7,639,368</u>	<u>8,581,374</u>	<u>7,582,532</u>
8b. Revaluation Reserves	Group		Association	
	2015 £	2014 £	2015 £	2014 £
At start of the year	135,234	135,234	-	-
Release on disposal of investment property	-	-	-	-
As at 31 March 2015	<u>135,234</u>	<u>135,234</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements  
For the year ended 31 March 2015

9. Tangible Fixed Assets Group and Association	Housing Properties Held for Letting £	Housing Properties In Course of Construction £	Shared Ownership Properties Held for Letting	Total £
<b>Cost</b>				
At start of year	106,013,454	1,322,835	2,578,079	109,914,368
Additions during year	1,082,296	1,365,964	-	2,448,260
Transfers in year	-	-	-	-
Disposals	(1,638,544)	-	(44,960)	(1,683,504)
At end of year	<u>105,457,206</u>	<u>2,688,799</u>	<u>2,533,119</u>	<u>110,679,124</u>
<b>Depreciation</b>				
At start of year	3,884,213	-	142,301	4,026,514
Transfers in year	-	-	-	-
Provided during year	773,949	-	15,266	789,215
Eliminated on disposal	(194,517)	-	(4,763)	(199,280)
At end of year	<u>4,463,645</u>	<u>-</u>	<u>152,804</u>	<u>4,616,449</u>
<b>Housing properties cost less depreciation</b>	<u>100,993,561</u>	<u>2,688,799</u>	<u>2,380,315</u>	<u>106,062,675</u>
<b>SHG and Other Grants</b>				
At start of year	76,999,615	1,141,279	1,882,333	80,023,227
Received during year	-	981,264	-	981,264
Transfers in year	-	-	-	-
Disposals	(1,444,027)	-	(24,690)	(1,468,717)
At end of year	<u>75,555,588</u>	<u>2,122,543</u>	<u>1,857,643</u>	<u>79,535,774</u>
<b>Net Book Value</b>				
At end of year	<u><u>25,437,973</u></u>	<u><u>566,256</u></u>	<u><u>522,672</u></u>	<u><u>26,526,901</u></u>
At start of year	<u><u>25,129,626</u></u>	<u><u>181,556</u></u>	<u><u>553,445</u></u>	<u><u>25,864,627</u></u>

The proceeds of property disposals in the year was £45,000 (2014: £195,250). These units cost £44,960 (2014: £143,111) and had a net book value of £15,507 (2014: £37,924). SHG of £41,272 (2014: £94,960) is due to be repaid in respect of these disposals. In addition, SHG of £37,762 (2014: £nil) is due to be repaid in respect of prior year disposals.

The cost of new components capitalised in the year was £1,075,488 (2014: £768,115).

Components with a cost of £1,638,544 (2014: £1,413,449), SHG of £1,444,027 (2014: £1,249,257) and accumulated depreciation of £194,517 (2014: £164,192) were disposed of in the year.

No development costs were capitalised in the year (2014: none).

Notes to the Financial Statements  
For the year ended 31 March 2015

10. Shared equity housing units	£	
<b>Cost</b>		
At 1 April 2014		12,205,954
Additions during the year		5,750
Disposals		(74,556)
		<u>12,137,148</u>
At 31 March 2015		<u>12,137,148</u>
<b>SHG and other grants</b>		
At 1 April 2014		11,084,886
Received during the year		-
		<u>11,084,886</u>
At 31 March 2015		<u>11,084,886</u>
<b>Net book value</b>		
At 31 March 2015		<u>1,052,262</u>
At 31 March 2014		<u>1,121,068</u>
 Split as:	<b>2015</b>	<b>2014</b>
	£	£
Fixed asset investments	-	-
Stock	1,052,262	1,121,068
	<u>1,052,262</u>	<u>1,121,068</u>

The fixed asset investments are shared equity units where the first tranche has been sold and represents the remaining cost of the unit and SHG held on behalf of the Scottish Government.

The stock represents the net book value (cost less SHG) of first tranches still to be sold at Castle Street, Rothesay, and Lochgilphead High School, Argyll.

Notes to the Financial Statements  
For the year ended 31 March 2015

11. Tangible Fixed Assets	Land and Buildings £	Heritable Property £	Commercial Property £	Investment Property £	Kintyre Wind Project (Under Construction) £	Computer & Office Equipment £	Plant and Machinery £	Motor Vans £	Fixtures & Fittings £	Other Equipment £	Total £
<b>Group Cost</b>											
At start of year	345,440	556,645	60,256	456,979	238,325	695,198	179,715	199,346	17,973	22,514	2,772,391
Additions in year	-	-	-	-	75,328	38,724	-	16,500	-	50	130,602
Disposals in year	-	-	-	-	-	-	(4,700)	(65,770)	-	-	(70,470)
At end of year	345,440	556,645	60,256	456,979	313,653	733,922	175,015	150,076	17,973	22,564	2,832,523
<b>Depreciation</b>											
At start of year	2,030	292,443	24,061	-	-	539,538	-	41,443	8,986	5,767	914,268
Provided in year	-	22,266	2,410	-	-	31,998	-	2,170	1,798	584	61,226
Disposals in year	-	-	-	-	-	-	-	-	-	-	-
At end of year	2,030	314,709	26,471	-	-	571,536	-	43,613	10,784	6,351	975,494
<b>SHG and Other Grants</b>											
At start of year	-	-	-	-	-	-	-	-	-	16,090	16,090
Added in year	-	-	-	-	-	-	-	-	-	-	-
Disposals in year	-	-	-	-	-	-	-	-	-	-	-
At end of year	-	-	-	-	-	-	-	-	-	16,090	16,090
<b>Net Book Value</b>											
At end of year	343,410	241,936	33,785	456,979	313,653	162,386	175,015	106,463	7,189	123	1,840,939
At start of year	343,410	264,202	36,195	456,979	238,325	155,660	179,715	157,903	8,987	657	1,842,033

Notes to the Financial Statements  
For the year ended 31 March 2015

11. Tangible Fixed Assets - Other Assets Association	Heritable Property £	Commercial Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Total £
<b>Cost</b>							
At start of year	556,645	60,256	487,676	186,617	48,375	22,514	1,362,083
Additions in year	-	-	384	38,340	-	50	38,774
Disposals in year	-	-	-	-	-	-	-
At end of year	556,645	60,256	488,060	224,957	48,375	22,564	1,400,857
<b>Depreciation</b>							
At start of year	292,443	24,061	362,199	177,039	40,247	5,767	901,756
Provided in year	22,266	2,410	12,586	19,255	2,032	584	59,133
Disposals in year	-	-	-	-	-	-	-
At end of year	314,709	26,471	374,785	196,294	42,279	6,351	960,889
<b>SHG and Other Grants</b>							
At start of year	-	-	-	-	-	16,090	16,090
Added in Year	-	-	-	-	-	-	-
Disposals in year	-	-	-	-	-	-	-
At end of year	-	-	-	-	-	16,090	16,090
<b>Net Book Value</b>							
At end of year	241,936	33,785	113,275	28,663	6,096	123	423,878
At start of year	264,202	36,195	125,477	9,578	8,128	657	444,237

Notes to the Financial Statements  
For the year ended 31 March 2015

<b>12. Investments Association</b>		<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
Investment in subsidiary undertaking		<u>1</u>	<u>1</u>

During 2005, Fyne Homes Limited acquired 1 ordinary £1 shares in Fyne Initiatives Limited, at par. This represents a 100% shareholding in Fyne Initiatives Limited, a company registered in Scotland, whose principal activities are property development and the rental of commercial property.

The loss on ordinary activities after taxation of Fyne Initiatives Limited as at 31 March 2015 was £659 (2014: £nil). The capital and reserves of Fyne Initiatives Limited as at 31 March 2015 was £140,317 (2014: £140,976).

Fyne Homes Limited controls Fyne Futures, a Scottish charity and company limited by guarantee, incorporated on 10 February 2005. The principal activity of the charity is the recycling of metal waste and scrap.

The net incoming resources of Fyne Futures as at 31 March 2015 was £147,589 (2014: outgoing resources of £16,832). The capital and reserves of Fyne Futures as at 31 March 2015 was £198,684 (2014: £51,095).

<b>13. Debtors</b>	<b>Group</b>		<b>Association</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts falling due within one year:				
Rental arrears	127,825	143,626	127,825	143,626
Less: provision for bad debts	(50,000)	(50,000)	(50,000)	(50,000)
	<u>77,825</u>	<u>93,626</u>	<u>77,825</u>	<u>93,626</u>
Trade debtors	37,182	17,595	-	-
Amounts owed by subsidiary undertakings (due within 1 year)	-	-	280,711	211,687
Amounts owed by related parties	15,717	15,054	15,717	15,054
Other debtors	172,449	159,340	160,356	139,196
Prepayments and accrued income	650,699	560,402	615,679	509,782
Grants receivable	1,500	558,994	-	-
Amounts owed by subsidiary undertakings (after more than 1 year)	-	-	308,557	336,722
	<u>955,372</u>	<u>1,405,011</u>	<u>1,458,845</u>	<u>1,306,067</u>

Notes to the Financial Statements  
For the year ended 31 March 2015

14. Creditors – amounts falling due within one year

	Group		Association	
	2015	2014	2015	2014
	£	£	£	£
Loan due to Argyll & Bute Council	-	1,625,007	-	-
Bank loans and overdrafts	829,192	829,524	829,192	829,524
Trade creditors	353,965	407,830	119,813	249,003
Contract retentions	170,616	140,745	170,616	140,745
Accruals and deferred income	1,058,298	713,067	938,897	518,058
Rent in advance	157,806	161,340	157,806	161,340
PAYE/NIC creditor	35,689	34,237	27,141	27,481
Amounts owed to subsidiary undertakings	-	-	299,513	173,146
Amounts owed to related parties	4,750	563	4,750	-
Corporation tax	-	-	-	-
HAG Creditor	41,272	94,960	41,272	94,960
	<u>2,651,588</u>	<u>4,007,273</u>	<u>2,589,000</u>	<u>2,194,257</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £nil (2014: £14,795) in respect of pension contributions to be paid to the various pension providers.

15. Creditors – amounts falling due after more than one year

	Group		Association	
	2015	2014	2015	2014
	£	£	£	£
Loan due to Argyll & Bute Council	1,092,890	-	-	-
Bank term loans	17,732,949	18,592,927	17,732,949	18,592,927
Deferred creditor	751,027	732,954	-	-
	<u>19,576,866</u>	<u>19,325,881</u>	<u>17,732,949</u>	<u>18,592,927</u>

Bank term loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest. The above creditors are due as follows:

	£	£	£	£
Between one and two years	854,279	852,916	854,279	852,916
Between two and five years	3,613,366	2,991,470	2,520,476	2,991,470
In five years or more	15,109,221	15,481,495	14,358,194	14,748,541
	<u>19,576,866</u>	<u>19,325,881</u>	<u>17,732,949</u>	<u>18,592,927</u>

16. Share Capital

Group and Association

Shares of £1 each issued and fully paid

At beginning of year

Issued during year

Shares forfeited in year

At end of year

2015	2014
£	£
153	156
4	4
(17)	(7)
<u>140</u>	<u>153</u>

Each share has the right to one vote. There is no right to receive any dividends or any distribution on wind up.

**Notes to the Financial Statements  
For the year ended 31 March 2015**

**17. Directors' emoluments  
Group and Association**

The directors are defined as the members of the Management Committee, the executive officers and any other person reporting directly to the Chief Executive or the Management Committee. No emoluments were paid to any member of the Management Committee during the year.

	2015 £	2014 £
Emoluments (excluding pension contributions) of: Chief Executive	<u>79,731</u>	<u>78,157</u>
Number of employees whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-		
£60,001 - £65,000	-	1
£65,001 - £70,000	1	-
£75,001 - £80,000	<u>1</u>	<u>1</u>
Total expenses reimbursed in so far as not chargeable to U.K. Income Tax	<u>3,325</u>	<u>2,229</u>

The total paid to employees whose emoluments, excluding pension contributions, exceeded £60,000 during the year was £145,544 (2014: £141,858).

The Chief Executive is an ordinary member of the Association's pension scheme described in note 22. The Association's contribution for the Chief Executive in the year amounted to £29,401 (2014: £12,845).

**18. Employee Information**

The number of persons (head count) employed during the year was:

	Group		Association	
	2015 Number	2014 Number	2015 Number	2014 Number
Maintenance Operatives	24	24	6	5
Administration Staff	32	32	32	32
Wardens and Cleaners	2	2	2	2
	<u>58</u>	<u>58</u>	<u>40</u>	<u>39</u>
	Group		Association	
	2015 Number	2014 Number	2015 Number	2014 Number
The number of persons (full time equivalent) employed during the year was:	<u>49</u>	<u>47</u>	<u>36</u>	<u>35</u>



Notes to the Financial Statements  
For the year ended 31 March 2015

## 18. Employee Information (cont'd)

	Group		Association	
	2015 £	2014 £	2015 £	2014 £
Staff costs (including directors' emoluments):	1,165,985	1,156,615	937,683	908,015
Social security costs	115,695	114,724	101,970	99,393
Pension costs	336,059	223,628	336,059	223,628
FRS 17 pension adjustment (Note 22)	(48,000)	(26,000)	(48,000)	(26,000)
	<u>1,569,739</u>	<u>1,468,967</u>	<u>1,327,712</u>	<u>1,205,036</u>

Not included above is £96,747 (2014: £90,575) of maintenance staff costs which have been allocated to maintenance costs.

## 19. Operating Surplus

	Group		Association	
	2015 £	2014 £	2015 £	2014 £
Operating surplus is stated after charging:				
Depreciation	850,441	804,407	848,348	802,268
Repairs: cyclical, major, day to day	1,341,487	1,258,968	1,341,487	1,258,968
Auditor's remuneration				
- In their capacity as auditors	22,019	20,000	12,000	11,500
- In respect of other services	1,800	1,300	1,500	1,000
	<u>1,315,547</u>	<u>1,085,675</u>	<u>1,203,835</u>	<u>1,174,736</u>

## 20. Taxation

	2015 £	2014 £
<b>Group</b>		
United Kingdom corporation tax at 21% (2014: 20%)	(63)	-
<i>Effects of:</i>		
Fixed asset differences	378	-
Adjustment in respect of prior year	359	-
Utilisation of tax losses and other deductions	(315)	-
	<u>359</u>	<u>-</u>

**Association**

The Association is a Registered Charity and is therefore exempt from Corporation Tax on its charitable activities. No corporation tax was due on the non-charitable activities in the year (2014: £nil).

Notes to the Financial Statements  
For the year ended 31 March 2015

21. Capital Commitments Group and Association	2015 £	2014 £
Capital expenditure which has been contracted for but has not been provided for in the financial statements	2,327,530	788,479
Capital expenditure which has been authorised by Management Committee but is not contracted	-	-
	<u>2,327,530</u>	<u>788,479</u>
This is to be funded by:		
Funding from the Scottish Government	504,272	-
Other grants	931,693	349,418
Private Finance	891,565	439,061
	<u>2,327,530</u>	<u>788,479</u>

In addition to this Fyne Initiatives Limited has contracted capital expenditure of £23,302 (2014: £23,302) which has not been provided for in the financial statements. Grant funding has been offered by The Scottish Government to cover the above capital commitments.

As part of the design and build contract with Fyne Homes Limited in respect of developments at Ardfern, Lochgilphead High School, Kilmun and St Cuthbert's, Fyne Initiatives Limited has a further capital commitment of £2,327,530 (2014: £788,479).

No capital expenditure has been authorised by the Board of Fyne Initiatives Limited which has not been contracted.

## 22. Pension

### Scottish Housing Association Pension Scheme (SHAPS)

#### General

Fyne Homes Limited participates in the Scottish Housing Association Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state pension scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60<sup>th</sup> accrual rate;
- Career average revalued earnings with a 1/60<sup>th</sup> accrual rate;
- Career average revalued earnings with a 1/70<sup>th</sup> accrual rate;
- Career average revalued earnings with a 1/80<sup>th</sup> accrual rate; and
- Career average revalued earnings with a 1/120<sup>th</sup> accrual rate, contracted in.
- Defined Contribution (DC) option

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants.

The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

From 1 April 2011, Fyne Homes has operated the career average revalued earnings with a 1/120<sup>th</sup> accrual rate benefit.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

**Notes to the Financial Statements  
For the year ended 31 March 2015**

**22. Pensions (continued)**

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period, Fyne Homes Limited paid contributions at the rate of 6.7% of pensionable salaries. Employee contributions were 4.7%.

In addition to these contributions, £205,217 (2014: £104,997) was paid in the year as a past deficit contribution. The past service deficit contribution for 2015/16 is £211,163.

As at the balance sheet date there were 26 (2014: 28) active members of the Scheme employed by Fyne Homes Limited. Fyne Homes Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. As the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 30 September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2012.

**Financial Assumptions**

The financial assumptions underlying the valuation were as follows:-

	% pa
- Investment return pre retirement	5.3
- Investment return post retirement – non-pensioners	3.4
- Investment return post retirement – pensioners	3.4
- Rate of salary increases	4.1
- Rate of pension increases	
Pension accrued pre 6 April 2005	2.0
Pension accrued from 6 April 2005	1.7
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	2.6

Notes to the Financial Statements  
For the year ended 31 March 2015

22. Pensions (continued)

Valuation results

The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions.

Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a Long term improvement of 1.50% p.a. for males and 1.25% p.a. for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a Long term improvement of 1.50% p.a. for males and 1.25% p.a. for females

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80 <sup>ths</sup>	16.9
Career average 120ths	11.4
Additional rate for deficit contributions	10.4

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt would be due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Fyne Homes Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for Fyne Homes Limited was £7,213,521.

The Association does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.

**Scottish Life**

From 1 April 2011, members of the SHAPS scheme have the option to join the "top up" scheme Fyne Homes Limited has with Scottish Life, Employee contribution is their choice and the employer contribution is 2%.

Notes to the Financial Statements  
For the year ended 31 March 2015

22. Pensions (continued)

**Strathclyde Pension Fund**

Fyne Homes Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows:

Assumptions as at	31 March 2015	31 March 2014
Inflation / Pension Increase Rate	2.1%	2.6%
Salary increases	4.0%	4.9%
Expected Return on Assets	3.1%	6.0%
Discount rate	3.1%	4.1%

**Mortality**

Life expectancy is based on the Fund's VitaCurves with improvements in line with CMI2012 model assuming current rates of improvement have peaked and will converge to a long term rate of a 1.5% p.a. for males and a 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 years

The following details relate to Fyne Homes Limited and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

**Scheme assets**

The assets in the scheme and the expected rate of return were:-

	Long term rate of return 31 March 2015	Value at 31 March 2015 £000	Long term rate of return 31 March 2014	Value at 31 March 2014 £000
Equities	3.1%	1,485	6.6%	1,330
Government securities	3.1%	258	3.7%	210
Property	3.1%	218	4.8%	123
Cash	3.1%	20	3.7%	88
Total		<u>1,981</u>		<u>1,751</u>
Present value of scheme liabilities		<u>(2,676)</u>		<u>(2,513)</u>
Net pension liability		<u>(695)</u>		<u>(762)</u>

Notes to the Financial Statements  
For the year ended 31 March 2015

## 22. Pensions (continued)

## Reconciliation of defined benefit obligation

	31 Mar 2015 (£'000)	31 Mar 2014 (£'000)
Opening Defined Benefit Obligation	2,513	2,372
Current Service Cost	21	26
Interest Cost	102	106
Contributions by Members	8	11
Actuarial Losses	110	85
Past Service Costs / (Gains)	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(78)	(87)
	<u>2,676</u>	<u>2,513</u>
<b>Closing Defined Benefit Obligation</b>	<b>2,676</b>	<b>2,513</b>

## Reconciliation of fair value of employer assets

	31 Mar 2015 £(000)	31 Mar 2014 £(000)
Opening Fair Value of Employer Assets	1,751	1,644
Expected Return on Assets	105	85
Contributions by Members	8	11
Contributions by the Employer	66	73
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains	129	25
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(78)	(87)
	<u>1,981</u>	<u>1,751</u>
<b>Closing Fair Value of Employer Assets</b>	<b>1,981</b>	<b>1,751</b>
<b>Net pension liability</b>	<b>(695)</b>	<b>(762)</b>

## Analysis of amount recognised in Statement of Total Recognised Gains and Losses

	2015 £	2014 £
Actual return less expected return on scheme assets	129,000	25,000
Changes in assumptions underlying the present value of scheme liabilities	(110,000)	(85,000)
	<u>19,000</u>	<u>(60,000)</u>
<b>Actuarial gain/(loss) recognised in statement of recognised gains and losses</b>	<b>19,000</b>	<b>(60,000)</b>

Notes to the Financial Statements  
For the year ended 31 March 2015

## 22. Pensions (continued)

## Analysis of amounts included in Income &amp; Expenditure Account

	2015	2014
	£000	£000
Expected return on pension scheme assets	105	85
Interest on pension scheme liabilities	(102)	(106)
Current service cost	(21)	(26)
Past service cost	-	-
Contribution by employers	66	73
<b>Credit to staff costs</b>	<b>48</b>	<b>26</b>

## 23. Property Stock

The number of units of accommodation owned by the Association was as follows:-

Group and Association	Units in Management		Units under Development	
	2015	2014	2015	2014
Unimproved	2	2	-	-
New Build	757	757	31	6
Improved	684	684	-	-
<b>General Needs Housing</b>	<b>1,443</b>	<b>1,443</b>	<b>31</b>	<b>6</b>
<b>Shared Ownership Accommodation</b>	<b>49</b>	<b>50</b>	<b>-</b>	<b>-</b>
<b>Supported Housing Accommodation</b>	<b>30</b>	<b>30</b>	<b>-</b>	<b>-</b>
<b>Total Housing Stock</b>	<b>1,522</b>	<b>1,523</b>	<b>31</b>	<b>6</b>
<b>Other Property</b>				
Commercial – Fyne Homes Limited	1	1	-	-
Investment – Fyne Initiatives Limited	5	5	-	-
Heritable – Association's offices	4	4	-	-
<b>Total Other Property</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>-</b>

## 24. Revenue Commitments

Operating Leases which expire:	Group		Association	
	2015	2014	2015	2014
	Premises	Premises	Premises	Premises
	£	£	£	£
Within one year	7,300	17,430	-	11,320
Within two to five years	4,680	10,440	4,680	5,640
After 5 years	8,850	-	8,850	-
	<b>20,830</b>	<b>27,870</b>	<b>13,530</b>	<b>16,960</b>

**Notes to the Financial Statements  
For the year ended 31 March 2015**

**25. Related party transactions**

*InspirAlba Limited*

InspirAlba Limited is a related party as a Committee member and the Chief Executive of the Association are Board members. InspirAlba Limited is a company limited by guarantee and incorporated on 26 May 2009.

At the balance sheet date the Association was owed £15,715 (2014: £15,054) by InspirAlba Limited. This is included within amounts owed by related parties in debtors.

At the balance sheet date the Association owed £4,750 (2014: £nil) to InspirAlba Limited.

**26. Legislative Provisions**

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and its subsidiaries under the Companies Act 2006.

**27. Post balance sheet event**

A new subsidiary company of Fyne Homes Limited called Fyne Energy Limited is being formed post year end. The subsidiary company will hold a three-turbine wind farm to be built along the southern ridge of Barr Glen, Kintyre. The costs and SHG incurred to date in respect of the project are included in the financial statements of Fyne Futures but these will be transferred to Fyne Energy Limited in 2015/16. Argyll and Bute Council approved this project in July 2014.